

UNITED STATES DEPARTMENT OF AGRICULTURE
 Agricultural Adjustment Administration
 Washington, D. C.

May 1, 1939

Supreme Court Decision in Case Upon
 Flue-Cured Tobacco Marketing Quotas

Dear Committeeman:

By a vote of 6-to-2, the Supreme Court of the United States on April 17 upheld the constitutional validity of the provisions of the Agricultural Adjustment Act of 1938 relating to farm marketing quotas for flue-cured tobacco.

In declaring the tobacco marketing quota provisions of the Act valid, the Court affirmed a decision of the District Court of the United States for the Middle District of Georgia (Valdosta Division).

In attacking the constitutionality of the Act, it was contended that the Act was invalid on three grounds, namely:

(1) That the Act constitutes a regulation of production and not regulation of interstate and foreign commerce of tobacco.

The Court held that the Act operates not on farm production but upon marketing. In this connection the Court said: "The Statute does not purport to control production **** The provisions of the Act under review constitute a regulation of interstate and foreign commerce within the competency of Congress under the power delegated to it by the Constitution".

(2) That the standard for allotting farm quotas is so uncertain, vague, and indefinite that it amounts to a delegation of legislative power to an executive officer and thus violates the Constitutional requirement that laws shall be enacted by the Congress.

Responding to this second contention, the Court held that "What has been said in summarizing the provisions of the Act sufficiently discloses that definite standards are laid down for the government of the Secretary, first, in fixing the quota and, second, in its allotment amongst states and farms. **** In this respect the Act is valid within the decisions of this Court respecting delegation to administrative officers."

(3) That the Act, as applied to the 1938 crop, deprives farmers of their property without due process of law.

In replying to this third contention, the Court said: "**** it is argued that the statute operated retroactively and therefore amounted to a taking of appellants' property without due process. The argument overlooks the circumstance that the statute operates not on farm production, as the appellants insist, but upon the marketing of their tobacco in interstate commerce. The law, enacted in February, affected the marketing which was to take place about August 1 following, and so was prospective in its operation upon the activity it regulated****".

This summary of the case of *Mulford v. Smith* is furnished for your information.

Copies of the opinions are being furnished to the county office.

Very truly yours,

W. G. Finn

W. G. Finn
 Director, East Central Division

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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
WASHINGTON, D. C.1142
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No. 210
JUL 7 1939

STAMP PLAN FOR DISTRIBUTION OF SURPLUS FOODS

May 17, 1939.

Dear Committeeman:

The Department of Agriculture is starting to try out a food-order stamp plan for distribution of surplus foods through normal trade channels. The plan which is to be tested first on an experimental basis in six cities, selected in different parts of the country and varying in size from 50,000 up, is already being put into operation in Rochester, N. Y., the first of the six cities to be selected. Other selected cities will likely be announced soon, perhaps even before this reaches you.

As you know, the Federal Surplus Commodities Corporation has for the past 5 years been carrying out a program of surplus purchase and direct distribution through State relief agencies. This program will be continued in all places except those cities where the new plan is in effect.

Because of the widespread interest in the plan it is likely that you will be asked a great many questions about it. For your information the following brief account may be helpful:

The new stamp plan is aimed directly at the twin problems of price-depressing surpluses on the farm and inadequate diets wherever found. Through the plan, wider consumption of surplus commodities will be sought by giving low-income families purchasing power to buy, through regular trade channels, additional amounts of needed farm products. This is intended as a supplement to the general farm program.

The additional buying power will be given in the form of food-order stamps, good in any local store for designated surplus foods. The stamps will go to those receiving or eligible for direct public assistance. Funds of the Federal Surplus Commodities Corporation will be used for their redemption.

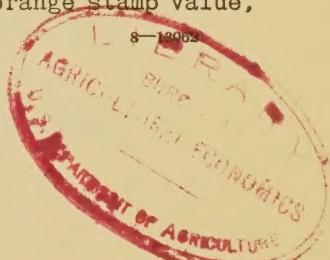
The stamps are to provide for the purchase of surplus foods in addition to and not in place of regular food purchases now being made by the needy families. Three different methods of handling the stamps, each to be tried out in one or more of the experimental cities, will be used to determine the extent of precautions needed to insure that surplus purchases are actually additional purchases of food.

Under two of the methods, the surplus food stamps, which will be blue, will be given to eligible relief families only when these families buy orange-colored stamps of a face value approximating their present regular food purchases. These orange-colored stamps will be good for any food in any grocery store, and will be used by the family to continue its regular food purchases. The two kinds of stamps will be issued in a single stamp book. They will not be transferable and will not be good if detached from the book before purchases are made.

Briefly, the orange or regular food-purchase stamps will be bought by the eligible family, and the additional blue or surplus-food stamps will be given to them without charge. One blue stamp will be issued for each two orange stamps purchased.

Families who take part in the joint stamp plan program will be required to buy a definite minimum of the orange stamps. They may, if need exists, buy a maximum of about half again as many as the minimum. The minimum may vary in different cities in accordance with price levels and other factors, including present average food expenditures. In general this minimum will not be less than \$1 a week for each member of the family, and it may be higher. Where the \$1 minimum applies, the addition of the free surplus stamps will give that family total food buying power of \$1.50 a week per person.

As indicated above, two methods of distributing the orange and blue stamp books will be tried. Under one, the eligible families will pay cash for the stamp books, paying the value of the orange stamps. Under the other they will, at their request, receive the stamp books, dollar-for-dollar of orange stamp value, in place of part of their regular WPA or other relief payment.



The third way of handling the surplus stamps will call for distribution of blue stamps alone. Eligible families who receive these stamps will agree to continue their regular food purchases. This would be the simplest plan of all. Tests with it will show whether or not the precautions of the orange stamps are necessary to insure that surplus purchases are made as additions to regular purchases.

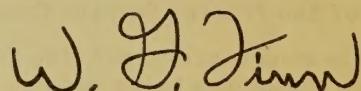
The food-order stamp plan will be entirely voluntary. The decision to buy the orange stamps and accept the blue stamps will rest in all cases with the relief family.

Close cooperation between public agencies and business will be basic in the new stamp plan. The surplus commodities will be officially designated by the Department of Agriculture. They will be handled, however, entirely by the regular food-distributing industry--from original farm product purchase to final sale in the retail store.

Full success of the plan would mean that demand for and distribution of surplus farm commodities would go far beyond the direct purchases made with the blue stamps. Grocerymen under the program are expected to become more effective salesmen for the farmer. The surplus commodities, sold in greater quantities, could be handled at lower unit cost. Featuring them through aggressive merchandising and lower price should result in increased sales to regular purchasers, as well as to those who buy with the blue surplus stamps. The result can well be a very important contribution to the job of moving more surpluses.

Further information in regard to the plan, and its extension if successful in the experimental cities, will be released as the plan moves into actual operation. On May 4 Secretary of Agriculture Henry A. Wallace designated eight foods as surplus products to be made available through the blue stamps. The foods designated by the Secretary were butter, shell eggs, dry edible beans, dried prunes, oranges, fresh grapefruit, wheat flour and whole wheat (graham) flour, and corn meal.

Very truly yours,



W. G. Finn,
Director, East Central Division.

UNITED STATES DEPARTMENT OF AGRICULTURE
 AGRICULTURAL ADJUSTMENT ADMINISTRATION
 Washington, D. C.

September 20, 1939

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Dear Committeemen:

You are aware that the closing date for accepting applications under the 1940 Wheat Crop Insurance Program is September 30, --only 10 days away. If you are a wheat farmer or live in a community where wheat is grown you and your community are vitally interested in the success of the Crop Insurance Program. From the standpoint of the service offered the wheat grower it is of utmost importance. Likewise its success or failure will have a significant bearing upon Crop Insurance Programs for other crops that are now under consideration.

Please consider the following:

1. Wheat Crop Insurance insures 3/4 of a normal crop against all unavoidable loss in yield.
2. Premiums are low.
3. Premiums may be paid without cash outlay by deductions from ACP payments.
4. Crop Insurance is definitely a part of the farm program and its success is essential to the program.
5. Agricultural Conservation committeemen and officials are charged with the responsibility of administering the Crop Insurance Program.
6. Losses paid farmers who took part in the 1939 Wheat Crop Insurance Program in this area indicate that there are serious yield losses that occur and are likely to occur on any farm. These insurance payments were exceedingly valuable to those who had losses.

May we urge that you carefully consider the advantages of Crop Insurance on your farm and in your community. We suggest that you get in touch with your county office immediately and that you together with other committeemen in your community and county by concerted effort present the advantages of the Crop Insurance program to all wheat growers.

Wheat areas outside the East Central Region where conditions are similar to ours have so far greatly surpassed this region in the number of applications filed.

I am sure we can depend upon your help in this important matter.

Very truly yours,

W. G. Finn,
 Director, East Central Division.

and the other half of the country with a similar but less severe aspect. The hills of the plateau are generally of tertiary material, with a thin soil, and the slopes are covered by low-lying grasses and various shrubs. The soil is very light and of little value for agriculture, but there is a good deal of good land in the valley bottoms. The climate is dry, and the soil is very poor, but the country is well suited for sheep and cattle, and the people are mostly engaged in agriculture and stock breeding.

There is a good deal of good land in the valley bottoms, and the people are mostly engaged in agriculture and stock breeding.

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ECR Committeemen Letter 212
Date
No. 212
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Attachment

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
WASHINGTON, D. C.

October 6, 1939

MEMORANDUM TO ALL AAA COMMITTEEMEN

Attached is a summary of recent announcements relating to agriculture and the European war. The announcements deal with wheat, tobacco, cotton, corn, livestock, fats and oils, food supplies and the activities of certain foreign governments in the fields of agriculture and food prices. It is intended that this summary will give the essential information, but if you desire to request more detailed reports sources are listed. It is contemplated that information similar to this will be made available to you from time to time.

W. G. Finn, Director
East Central Division

W. G. Finn
BUREAU OF
AGRICULTURE
U. S. DEPARTMENT OF AGRICULTURE

SUMMARY OF RECENT ANNOUNCEMENTS RELATING TO AGRICULTURE AND THE EUROPEAN WAR.

IMPROVED DEMAND FOR FARM PRODUCTS during the last quarter of this year was forecast today by the Bureau of Agricultural Economics. Basis is the expansion in industrial activity and consumer incomes in recent months accelerated now by war conditions. Producers were cautioned, however, not to expect a "run-away" market, since supplies of practically all farm products are more than enough for current and prospective needs.

The Bureau said that although some of the recent commodity price gains may be lost as adjustments are made to actual condition, "it seems probable that the effect of the European war will be to strengthen both domestic and export demand for farm products in general. The war, it was added, "is likely to decrease European production of some commodities and cause belligerent nations to have less regard than in peace times for the effects of imports on their financial resources or domestic economics programs."

FLUE-CURED TOBACCO. Because of the record supply resulting from the billion pound 1939 crop, sales for the first six weeks of this year's selling season averaged 14.3 cents a pound compared with 22.2 cents for 1938 and a 5-year average of 22.9 cents. Production in 1939 was more than 200 million pounds above the current level of world consumption.

Withdrawal of buyers for the British trade at the end of the first week in September created an emergency which caused buyers and warehousemen to close the flue-cured markets. British buyers normally take one-third of the flue-cured crop and, because these purchases are of the higher grades, usually pay farmers approximately half of all the money received for flue-cured tobacco.

With around half of the 1939 flue-cured crop remaining to be sold, plans are being developed whereby funds of the Commodity Credit Corporation would be used to finance the purchase of grades which would normally be bought for British trade. This action is designed to prevent drastic declines of price below the level which prevailed up to the time markets were closed.

In a referendum held October 5, 1939, growers voted marketing quotas into effect for the 1940 flue-cured crop. Incomplete reports comprising 229,343 votes indicated 206,395 "yes" and 23,343 "no". Markets will reopen October 10, 1939.

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COTTON PRICES along with prices of other commodities and securities advanced sharply with the outbreak of war in Europe in early September. Between September 2 and 7, domestic cotton prices rose approximately 1 cent per pound. This was in direct contrast with the sharp break in prices and the panicky market conditions following the outbreak of war in 1914.

The general price advance up to the second week of September, including the rise in cotton and other raw material prices, largely reflected increased purchases by domestic buyers and speculators who anticipated further price advances as a result of war-time demand. Memories of what eventually happened

to cotton prices during the World War, despite initial decreases, no doubt have played a part in determining the divergent trend of prices in 1939 as compared with 1914.

Insofar as American cotton is concerned, the indicated total world supply for the current season (1939-40) is about 2-1/4 times as large as the world consumption of American cotton during the preceding season and would be even larger relative to the current season's consumption. In 1914-15 the world supply of American cotton was 1-1/2 times as large as the 1913-14 world consumption of American cotton. In contrast with this, however, is the fact that nearly 10-1/4 million bales (excluding about 700,000 bales traded to Great Britain), or roughly two-fifths, of the indicated supply of American cotton is in Government loan stocks. Furthermore, should cotton prices drop to 52 percent of parity a Government loan on the 1939 crop would be mandatory. The export subsidy program also may be a factor in the situation. Another important difference between 1914 and 1939 is the fact that cotton consumption in and imports of cotton by Germany and its allies represent a much smaller proportion of the world's consumption and imports at the present time than at the beginning of the World War, due in part to the large substitution of rayon and other synthetic fiber for cotton.

Cotton during the World War and In The 1939 European War. September 20, 1939.

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CORN: Corn prices advanced about 15 cents per bushel during the first half of September and other feed grains made smaller advances. Corn supplies are much larger than needed to supply domestic requirements, so the price rise seems to reflect an expected increase in European demand for grains and livestock products. The present situation indicates a loan rate on 1939 corn of 75 percent of parity.

LIVESTOCK: Prices of all livestock rose sharply during the first week of September following the outbreak of the war, with the advance much greater for hogs than for cattle and lambs. In the second week of September part of this rise was lost. A fairly large seasonal increase in hog marketings is probable for the next few months, and total supplies for the 1939-40 marketing year are expected to be much larger than in 1938-39. Marketing of grain-fed cattle probably will continue larger than a year earlier during the remainder of 1939 and in early 1940. In view of abundant supplies of feed in the Corn Belt, a strong feeder demand for cattle and lambs is probable in that area this fall. But the number of lambs fed in the western States may be smaller this year because of short feed supplies. U.S.D.A. Press Release, Sept. 15, 496-40.

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THE PROSPECTIVE DEMAND FOR WHEAT and availability of transport facilities are not sufficiently clear at this time to indicate probable world movement of wheat. However, it is not expected that world wheat and flour shipments for the year beginning July 1, 1939, will be greatly

different from shipments in the year just past, when they totaled about 600 million bushels. On the other hand, the general level of commodity prices is expected to remain higher than last year.

A marked reduction in wheat acreage in Europe is not expected for the 1940 harvest. It is not expected, therefore, that the world acreage in 1940 will be greatly different from the acreage this year, which with average yields per acre would again result in a crop fully ample to take care of likely world consumption without reducing the large carry-over stocks.

Wheat supplies in the United States at 990 million bushels are about the same as in 1914. World wheat supplies of 5.5 billion bushels are considerably larger than in 1914 when they totaled 3.5 billion bushels. Compared with the world shipments of about 600 million bushels in 1938-39, world shipments in 1914-15 were 556 million bushels. Stocks in importing countries are very large at present while in 1914 they were only average. This year Canada and Argentina have very large supplies. This is also different from 1914 when unusually large exports from the United States were possible because of very small crops in Canada and Australia at a time the United States had a record crop.

Analyses of the loan and export subsidy programs in 1938-39 made by the Bureau of Agricultural Economics appear to indicate no appreciable effect of the export subsidy on world wheat prices. The Bureau's analyses further indicate that the American wheat growers were benefited to the extent of about 57 million dollars by the combined loan and subsidy programs. This would amount to about 17-1/2 cents per bushel for the September-June period in which the programs were in operation. The Wheat Situation. September 25, 1939.

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RECENT ADVANCES IN FEED GRAIN PRICES largely reflected speculative anticipation of foreign purchases of livestock products and grains, due to the war, expanded domestic industrial activity, and a rising general price level.

During the war period, 1914-18, the United States average exports of corn in the form of grain and livestock products amounted to about 300 million bushels annually. Corn prices advanced moderately during 1914 and 1915, and then more sharply in 1916 and 1917. Since 1914 there has been a tendency for feed grain acreage to decline in the United States, while acreages in the European and the Southern Hemisphere producing countries have increased.

September 1, conditions indicated a total United States supply of about 112 million tons of feed grains for 1939 compared with 111 million tons last year and 108 million tons for the 5-year average, 1928-32.

The Feed Situation, September 26, 1939.

SUPPLIES OF FOOD PRODUCTS on a per capita basis, available for domestic use in 1939-40, after allowing for normal carry-over and probable exports, are indicated to be well in line with the disappearance in past years. Per capita supplies of meat, dairy and poultry products probably will be slightly below the 1925-29 average, but generally above those of recent years. Since exports of these three groups of food products in recent years have been at relatively low levels and are expected to continue so in the current marketing season, the total supplies indicated for domestic consumption and exports are not significantly different from that indicated for domestic consumption alone. The National Food Situation. September 9, 1939.

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DOMESTIC DEMAND FOR FATS AND OILS is expected to be strengthened somewhat during the next few months, since present conditions favor increased industrial activity and improvement in consumer purchasing power.

Production of fats and oils from domestic materials for the current calendar year is expected to be the largest on record. Stocks were unusually large at the beginning of the year. Import requirements - mostly for soap and drying oils - are considerably less than average.

During the war of 1914-18, the domestic production and exports of animal fats remained relatively stable, but production of cottonseed and flaxseed declined. Imports of copra and coconut oil, soybean oil, peanut oil, and flaxseed were increased. Prices of fats and oils were not affected much by the war until 1917, when prices of practically all commodities, including fats and oils, increased sharply. The Fats and Oils Situation, September 15, 1939.

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THE COMMONWEALTH GOVERNMENT OF AUSTRALIA HAS ANNOUNCED THAT IT WILL ACQUIRE COMPLETE CONTROL OF THE FORTHCOMING WHEAT CROP.

Indications are that the Commonwealth Government will soon proclaim a control over existing wheat and flour stocks; that a control over exports of those products will be instituted; and that the United Kingdom will purchase the entire exportable surplus, except for authorized shipments on a small scale to other destinations.

Of the coming crop of 160,000,000 bushels probably 56,000,000 bushels will be required for consumption in Australia, leaving 104,000,000 bushels for export during the 1939-40 marketing year or for carry-over into the 1940-41 season. To this should be added approximately 40,000,000 bushels still remaining on hand from the 1938-39 crop. U. S. D. A. Press Release. Sept. 21, 521-40.

THE 1939 WHEAT CROP OF CANADA is estimated at 449,000,000 bushels, the fourth largest crop in record in that country.....

The August 1 wheat carry-over in Canada was estimated at 95,000,000 bushels. Adding that carry-over to the new crop gives a total supply of 544,000,000 bushels for the 1939-40 marketing year, August-July. Deducting from that figure the usual consumption of 100,000,000 bushels leaves a balance of about 440,000,000 bushels for export during the current season or for carry-over into 1940-41. U. S. D. A. Press Release. Sept. 14, 484-40.

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EMERGENCY REGULATIONS RECENTLY ISSUED UNDER THE NATIONAL DEFENCE ACT OF THE UNITED KINGDOM have placed the entire agricultural industry of that country under the control of the British Minister of Agriculture during the war..... The objective is to assure that farm land in the United Kingdom will be used to its maximum efficiency for the production of essential food stuffs.

The program calls for placing in cultivation an additional 2,000,000 acres of farm land before December 31, 1939 To expedite the realization of that objective the Government will pay a subsidy of \$2.08 per acre on approved grassland that is ploughed up before the end of the current year.

Farmers are being urged to sow as much winter wheat as possible and to make large increases in the acreage devoted to oats, barley, flax and potatoes next spring. In thus urging farmers to go on a war basis, it is obvious says the Office of Foreign Agricultural Relations, that the Government hopes to bring about the necessary shifts in agricultural production much more rapidly than during the last war. U.S., D.A. Press Release. Sept. 14, 480-40

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THE BRITISH FOOD DEFENCE DEPARTMENT IS TO HAVE SOLE AUTHORITY OVER THE IMPORTATION OF ALL ESSENTIAL FOODSTUFF into the United Kingdom.....among its functions will be the requisition of foreign supplies of food stuffs, the imposition of domestic price control measures, and the organization and control of distribution. The Ministry will have a complete monopoly of the British import trade in foodstuffs.

It is understood that centralized buying will be adopted for important staples, especially for those which government agencies are seeking in the export countries. Certain individuals already have been designated as buyers. Importation of other foodstuffs will continue under licensed control.

Foodstuff price control is likely as the second major activity of the new Food Ministry, says the dispatch. It has been clearly indicated that the British authorities intend not only to control British wholesale and retail prices of foodstuffs, but to exert British buying power and control of shipping in conjunction with France, in order to check speculative and other forces making for high and fluctuating world prices. U.S.D.A. Press Release, Sept. 13, 478-40.

